



U.S. Department of Justice

*United States Attorney
Northern District of New York*

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Albany, NY 12207

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April 19, 2005

**Re: United States v. \$2,300,577.10 in U.S. Currency, et al
Information for Redwood Trust Investors**

Dear Redwood Trust Investor:

This letter is written for the benefit of those persons who invested in Redwood Trust. The letter will: 1) explain the nature and purpose of the above case; 2) provide contact information to enable you to monitor the status of the case; 3) attempt to answer some frequently asked questions; and 4) outline procedures for obtaining restitution.

I. The Nature and Purpose of the Case.

The United States Attorney's Office, Northern District of New York, filed a Civil Forfeiture Complaint entitled *United States v. \$2,300,577.10 in U.S. Currency, et al.* The Complaint seeks to forfeit funds seized from Redwood Trust and Kenneth Titus, Sr., on the theory that those funds constitute fraud proceeds.

The forfeiture case encompasses the conduct of Redwood Trust and Kenneth Titus, Sr., from September 2003 to January 20, 2005, the date of seizure. In summary, the Complaint alleges that Redwood Trust accepted more than \$4 million dollars in fees to, among other things, payoff mortgages of Redwood Trust Investors. The Complaint further alleges that, of the \$4.2 million received, approximately 2% (\$93,242.20) was used to payoff *one* mortgage and pay the arrears for *three* other mortgages. Approximately 12% (\$502,185.00) was refunded to investors. The remainder, more than \$3.6 million, was expended either for the benefit of Redwood or Titus, or was held in an account in the interest of Redwood or Titus.

The United States Attorney's Office seeks to forfeit the funds in question from Redwood Trust and Titus for the purpose of restoring those funds to Redwood Trust investors. Litigation of the civil forfeiture case may take several months. If the United States receives a favorable ruling in favor of forfeiture, the government will then work to restore all forfeited funds to Redwood Trust investors.

II. Contact Information to Monitor the Status of the Case.

Updates regarding the civil forfeiture case will be posted to the following websites: <http://www.usdoj.gov/usao/nyn> and www.Notify.USDOJ.Gov, the national victims website. In order to access these websites, you will receive a letter containing a Victim Information Number (VIN) and a

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Personal Identification Number (PIN). Additionally, you may contact our Victim Witness Coordinator, Rachel Seeber at 1-888-539-4535, or by e-mail at rachel.e.seeber@usdoj.gov. Due to the high volume of calls and e-mails our Coordinator receives, please allow 5-7 days for a response. Finally, in the interest of time, answers to frequently asked questions will be posted to the above websites.

Please note that the United States Attorney's Office has not authorized any third parties to speak on behalf of this Office. All information regarding this case will be disseminated from the above websites or from a federal law enforcement officer.

III. Answers to Frequently Asked Questions.

Question: *Must Redwood Trust Investors retain an Attorney?*

No. You are free to retain an attorney if you choose, but Redwood Trust Investors are not required to retain an attorney.

Question: *Should Redwood Trust Investors file a claim or statement of interest in the civil forfeiture action?*

No. Individuals who sent money to Redwood Trust are viewed as potential victims. They need not enter the case as litigants. Entering the case as a litigant will prolong the litigation and delay restitution to Redwood Trust investors. If the government prevails in forfeiting the funds in question from Redwood Trust and Titus, the government will then work to restore all forfeited funds to Redwood Trust investors.

If you are a Redwood Trust investor and already filed a claim or statement of interest, we ask that you send a **letter stating that you are withdrawing your claim or statement of interest** to: the United States Attorney's Office, Northern District of New York, 445 Broadway, Albany, New York, 12207, Attn: Redwood Trust, T. Capezza, Assistant U.S. Attorney. This will expedite completion of the litigation phase in the hopes of quickly proceeding to the restitution phase. In other words, Redwood Trust investors are considered potential victims and their entry into the litigation as claimants will only lengthen the litigation.

Question: *Should Redwood Trust Investors attend the hearing in Syracuse, New York, in July?*

No. Redwood Trust investors are viewed as potential victims and not litigants. Thus, they need not attend the July hearing.

Question: *If the United States prevails in the civil forfeiture action, what percentage will each Redwood Trust Investor receive in restitution?*

If the government prevails in the civil forfeiture action, each Redwood Trust investor will receive a pro rata share of his or her net investment. For example, if net investments from all Redwood Trust investors total \$4 million, and the United States forfeits \$2 million, each Redwood Trust investor will receive approximately 50% of his or her net investment. A *net investment* is the amount of money a person invested, less any refunds that person may have received.

Question: Assuming the United States prevails in the civil forfeiture action, how long will it take before each Redwood Trust investor receives a pro rate share of his or her net investment.

It may take several months before the civil forfeiture litigation is complete. The timing of all refunds after completion of the litigation will depend on how quickly the government can obtain the information necessary to identify each Redwood Trust investor and determine that person's net investment. Thus, because timing is so important, we ask that each Redwood Trust investor make his or her best efforts to timely provide accurate and complete information, as requested below.

IV. Procedures for Retaining Restitution.

The government requests that you voluntarily provide information and documentation for use in all aspects of the government's investigation of Redwood Trust and Titus, including restitution in the civil forfeiture action. To that end, the government provides the following documents for your consideration:

1. **Civil Forfeiture Complaint:** This is the document outlining the allegations in the civil case. It is available for your review. You need not return it.
2. **Petition for Remission:** Please complete the information requested in the Petition for Remission and have it notarized.
3. **Questionnaire:** Please complete the Questionnaire to the best of your ability.
4. **Documentation:** Please provide documentation supporting your investment in Redwood Trust, including: cancelled checks, money order receipts, agreements, etc.
5. **Contact Information:** Please provide your name, address, telephone number and e-mail address. The government intends to advise Redwood Trust investors of the status of the proceedings. Current contact information, including an e-mail address, is critical to that goal.

Please provide the above information to: United States Attorney's Office, Northern District of New York, 445 Broadway, Albany, New York, 12207, Attn: Redwood Trust, T. Capezza, Assistant U.S. Attorney. If you have already provided the above information, you need not provide that information again.

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Thank you in advance for your cooperation. This Office will make every effort to proceed in a timely and efficient manner.

Very truly yours,

GLENN T. SUDDABY
United States Attorney
Norther District of New York

By: THOMAS A. CAPEZZA
Assistant United States Attorney